

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-03
H-02 PA-02 PRS-01 AGRE-00 /100 W
-----010534 080839 /15

R 282326Z FEB 77

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2608

INFO AMCONSUL MONTREAL

ALL CONSULATES IN CANADA (BY POUCH)

UNCLAS OTTAWA 01107

EO 11652: N/A

TAGS: ECON, CA

SUBJECT: REAL GNP DECREASES IN FOURTH QUARTER

1. SUMMARY: PRELIMINARY ESTIMATES RELEASED BY STATISTICS CANADA ON FEBRUARY 28 SHOW REAL GNP FELL BY 0.6 PERCENT IN FOURTH QUARTER. GNP, SEASONALLY ADJUSTED AT ANNUAL RATES, INCREASED 1.6 PERCENT TO LEVEL OF C\$189.7 BILLION, WHILE GNP IN CONSTANT (1971) DOLLARS SLIPPED TO C\$115.9 BILLION FROM C\$116.7 BILLION IN THIRD QUARTER. FOR 1976 YEAR, REAL GNP WAS 4.6 PERCENT HIGHER THAN IN 1977. END SUMMARY.

2. STATISTICS CANADA RELEASED ON FEBRUARY 28 PRELIMINARY ESTIMATES FOR FOURTH QUARTER AND ANNUAL 1976 GROSS NATIONAL PRODUCT. SEASONALLY ADJUSTED AT ANNUAL RATES, GNP INCREASED 1.6 PERCENT IN FOURTH QUARTER TO C\$189.7 BILLION FROM C\$186.7 BILLION IN THIRD QUARTER. REAL GNP, HOWEVER, DROPPED IN FOURTH QUARTER BY 0.6 PERCENT TO C\$115.9 BILLION FROM C\$116.7 BILLION IN THIRD QUARTER.

3. FOR 1976 YEAR, GNP IN CURRENT DOLLAR TERMS GREW BY UNCLASSIFIED

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14.5 PERCENT TO C\$184.5 BILLION (FROM C\$161.1 BILLION IN 1975), BUT REAL GNP INCREASED ONLY 4.6 PERCENT TO C\$116.1 BILLION (FROM C\$110.98 BILLION IN 1975).

4. INCREASE IN REAL GNP IN 1976 WAS, ACCORDING STATCAN, LARGELY RESULT OF STRONG GROWTH IN PERSONAL EXPENDITURES, WHICH INCREASED 13.7 PERCENT IN 1976 TO LEVEL OF C\$108.1

BILLION IN CURRENT DOLLARS OR INCREASE OF 6.3 PERCENT IN REAL TERMS. LARGE INCREASE IN EXPORT VOLUME (FROM C\$40.0 BILLION IN CURRENT DOLLARS IN 1975 TO C\$45.1 BILLION IN 1976) WAS OFFSET BY IMPORT INCREASE (FROM C\$45.4 BILLION IN 1975 TO C\$49.99 BILLION IN 1976).

GROSS FIXED CAPITAL AT C\$43.2 BILLION IN 1977 WAS UP 10 PERCENT FROM 1976 FIGURE OF C\$39.1 BILLION, BUT MOST OF INCREASE WAS IN RESIDENTIAL CONSTRUCTION WHICH INCREASED FROM C\$8.6 BILLION TO C\$11.4 BILLION. IN REAL TERMS, GROSS FIXED CAPITAL FORMATION WAS UP ONLY marginally FROM C\$25.8 BILLION IN 1976 TO C\$26.1 BILLION IN 1977.

5. IN CURRENT DOLLARS, BALANCE OF TRADE IN GOODS AND SERVICES WAS IN DEFICIT BY C\$4.9 BILLION IN 1976 COMPARED TO C\$5.4 BILLION IN 1975. CORPORATION PROFITS BEFORE TAXES WERE UNCHANGED IN 1976 AT C\$18.59 BILLION.

6. IMPLICIT PRICE INDEX ROSE 9.4 PERCENT IN 1976 AFTER 10.8 PERCENT INCREASE PREVIOUS YEAR. LARGEST PRICE INCREASES OCCURRED IN GOVERNMENT CURRENT EXPENDITURE, FOR WHICH IMPLICIT PRICE INDEX ROSE 13.4 PERCENT.

7. IN FOURTH QUARTER, MOST EXPENDITURE COMPONENTS DECLINED ALTHOUGH PERSONAL EXPENDITURE ON GOODS AND SERVICES INCREASED 1.6 PERCENT IN REAL TERMS. REAL GROSS FIXED CAPITAL FORMATION INCREASED 2.3 PERCENT, BUT UNCLASSIFIED

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BUSINESS INVESTMENT IN NON-RESIDENTIAL CONSTRUCTION DROPPED 1.0 PERCENT AND INVESTMENT IN RESIDENTIAL CONSTRUCTION DECLINED 1.3 PERCENT.

8. STATCAN ATTRIBUTES REAL GNP DECLINE IN FOURTH QUARTER TO DECLINE IN VOLUME OF EXPORTS, TO DECLARATION IN INVENTORY ACCUMULATION AND TO DROP IN GOVERNMENT REAL CURRENT EXPENDITURE.

9. COMMENT. WITH DECREASE OF 0.6 PERCENT IN REAL GNP FOR FOURTH QUARTER, FINMIN MACDONALD WILL COME UNDER INCREASING PRESSURE TO PROVIDE STIMULATIVE MEASURES IN HIS SPRING BUDGET. ENDERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GNP, ECONOMIC DATA
Control Number: n/a
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Disposition Approved on Date:
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Disposition Reason:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770069-0599
Format: TEL
From: OTTAWA
Handling Restrictions: n/a
Image Path:
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Litigation History:
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Message ID: 59de60c3-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3261041
Secure: OPEN
Status: NATIVE
Subject: REAL GNP DECREASES IN FOURTH QUARTER
TAGS: ECON, CA
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/59de60c3-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009